STATE OF MAINE PUBLIC UTILITIES COMMISSION

Docket No. 2003-152

April 9, 2003

SWAN'S ISLAND ELECTRIC COOPERATIVE, INC. Application for Approval of Issuance of Securities (35A-M.R.S.A. §902, §1101) (\$422,000)

ORDER APPROVING
ISSUE OF SECURITIES
AND MORTGAGE OF
UTILITY PROPERTY

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

On March 1, 2003 Swan's Island Electric Cooperative, Inc. (SIE or the Cooperative) filed with the Commission an application for approval of the issuance of securities, through the Federal Financing Bank (FFB) for the purpose of maintaining and upgrading its distribution system. SIE proposes to borrow an amount not to exceed \$422,000 in multiple, individual drafts, none of which will have a final maturity date later than December 31, 2036. SIE will be able to choose the amortization schedule for each draft (or note) and the interest rate will be determined for individual notes as drawn. Individual notes will be secured by a mortgage on the Cooperative's property and will also be guaranteed by the Rural Utilities Service (RUS) which acted as agent on this transaction. This Order approves SIE's request.

II. ANALYSIS & DECISION

SIE will use the loan proceeds for system-wide improvements and also for an expansion to its headquarters' facility. SIE's planned system upgrades include the addition of new cables, transformers, meters, security lights and the ordinary replacement of approximately 80 utility poles. In addition, this financing will reimburse SIE for the recently completed replacement of 5.4 miles of submarine cable that was critical for system reliability. SIE expects to draw on this credit facility following Commission approval and can continue to do so up to the \$422,000 limit until April 1, 2007. SIE has the ability to choose the amortization period for each note subject to the condition that that period will not extend past December 31, 2036. At the time of each draft the interest rate on the note will be a fixed rate based on FFB's formula of 12.5 basis points (or 0.125%) over the rate on U.S. Treasury securities with a comparable maturity. Assuming SIE wished to use a 20-year amortization period today, it could expect to pay roughly 5.07% based on a recent 20-Year U.S. Treasury rate of 4.94%. This appears to be quite favorable for SIE as the most recent data from Moody's

¹ From the Federal Reserve's H.15 March 24, 2003 Statistical Release for the week ended March 21, 2003.

Investment Services indicates that the highest rated long-term utility bonds are currently yielding 6.44%.²

Having reviewed the application of the Cooperative, together with data provided in support of it, it is the opinion of the Commission that the proceeds of the issuance of the securities are required in good faith for the purposes enumerated in 35-A M.R.S.A. § 901. In approving this securities issue, consistent with normal practice and pursuant to 35-A M.R.S.A. § 902(4), the Commission does not imply approval of the Cooperative's capital needs, capital costs or capitalization ratio for ratemaking purposes, nor does this Order limit or restrict the powers of the Commission in determining or fixing any rate.

Accordingly, we

ORDER

- 1. That Swan's Island Electric Cooperative, Inc. is authorized to issue securities collateralized by a mortgage interest on its utility property to the Federal Financing Bank as described in its application, in a sum not to exceed \$422,000 to be used solely for the purposes described in its filing, at market interest rates determined on the date of draft, with a final maturity not later than December 31, 2036.
- 2. That SIE report to the Commission, in writing, its doings pursuant to this Order within sixty (60) days of the final draft under this loan agreement.
- 3. That a copy of this Order be mailed to interested parties and this Docket be closed.

Dated at Augusta, Maine, this 9th day of April, 2003.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch

Nugent Diamond

² Yields as shown for Aa-rated utilities as of April 1, 2003 on Moodys.com.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

- 1. <u>Reconsideration</u> of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
- 2. <u>Appeal of a final decision</u> of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
- 3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.